

BUSINESS CONDITIONS

SEVENTH FEDERAL

VOLUME 6, NUMBER 3



RESERVE DISTRICT

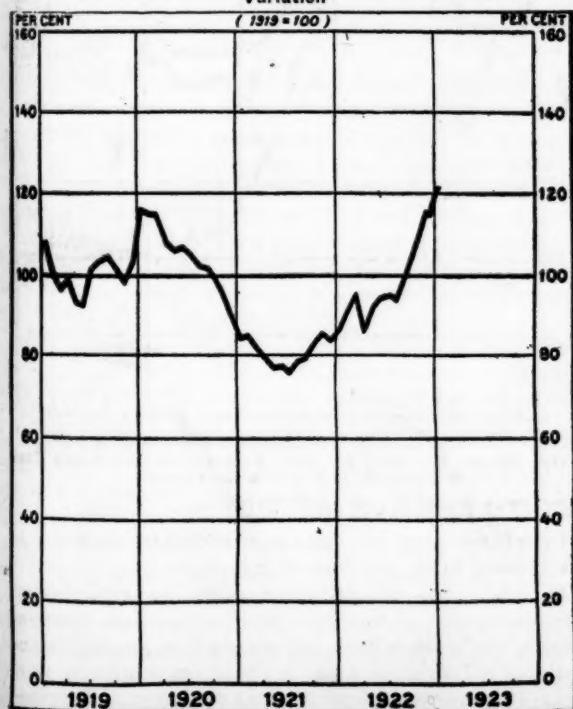
CHICAGO, MARCH 1, 1923

BUSINESS CONDITIONS IN THE UNITED STATES

Further increase in the volume of production in basic industries to a level higher than in 1919 or 1920, a continued advance in the prices of many basic commodities, additional borrowing from banks for commercial purposes, and somewhat higher money rates are the principal recent developments in the business situation.

PRODUCTION: Production in basic industries, as measured by the Federal Reserve Board's index, was 6 per cent higher in January than in December, and reached a volume exceeded only once in the past, in May 1917. Production of steel ingots and of anthracite coal, and mill consumption of cotton showed particularly large advances, and most other important industries increased their output. Building operations have been maintained on a large scale.

INDEX OF PRODUCTION IN BASIC INDUSTRIES
Combination of 22 Individual Series Corrected for Seasonal Variation

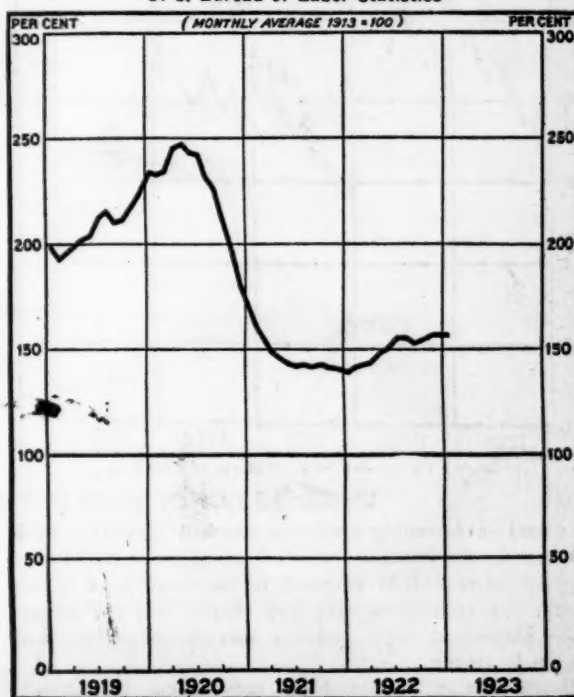


Latest figure January, 1923—121

The expansion in production during January was accompanied by a substantial increase in freight shipments. Car loadings of forest products, reflecting the continued building activity, reached the highest monthly total on record, and loadings of merchandise and miscellaneous commodities were higher than in any January of the past four years.

Industrial employment continued to increase during January, and shortages of both skilled and unskilled labor were reported by textile mills, steel mills, and anthracite coal mines. More wage increases at industrial establishments were announced than in December. There is still some unemployment in states west of the Mississippi. In industrial and commercial centers there has recently been a larger demand for office workers, although throughout the country there is much unemployment in this group.

PRICES
INDEX NUMBER OF WHOLESALE PRICES
U. S. Bureau of Labor Statistics



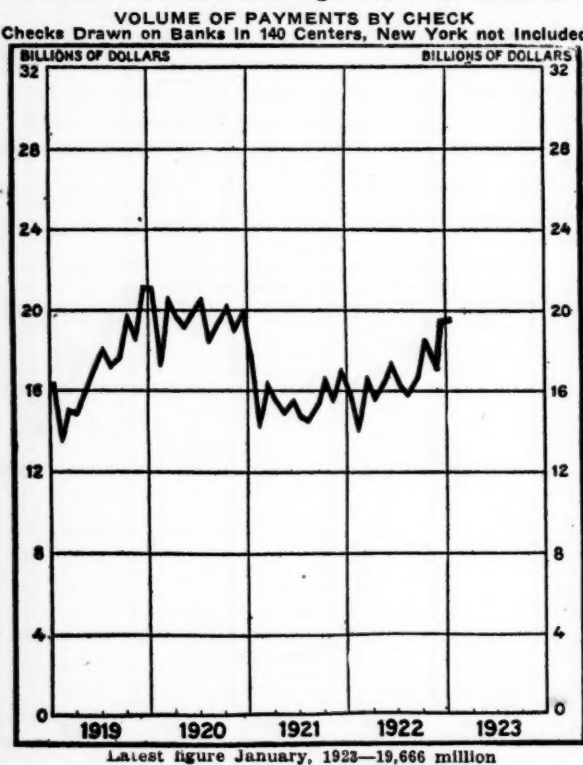
Base adopted by the Bureau of Labor Statistics
Latest figure January, 1923—156

COMPILED FEBRUARY 27, 1923

PRICES: The index number of the Bureau of Labor Statistics, computed from the wholesale prices of about 400 commodities, including finished and semi-finished products as well as raw materials, showed the same average level of prices in January as in November and December. Between December and January the prices of clothing, fuel, metals, building materials, chemicals, and house furnishings advanced, but these advances were accompanied by declines in farm products and food, so that the combined index remained unchanged. During recent weeks the prices of a number of basic commodities advanced rapidly and in many cases reached the highest points since 1920 or the early part of 1921. Among commodities reaching new high levels for the current movement were corn, beef, cotton, wool, silk, hides, lumber, rubber, linseed oil, copper, lead, and pig iron.

TRADE: An active distribution of goods for this season of the year is indicated by reports to the reserve banks both of wholesale and retail dealers for the month of January. Sales of department stores in over 100 cities were 12 per cent larger than in January, 1922. Inventories for January show that there has been no large increase in stocks of goods held by department stores, and the rate of turnover continued rapid. In wholesale lines there were particularly large sales during January of dry goods, drugs, hardware, and farm implements.

BANK CREDITS: The larger volume of commercial checks drawn on banks in 140 centers, New York not included



BUSINESS CONDITIONS IN THE SEVENTH RESERVE DISTRICT

Several outstanding features marked January business in the Seventh Federal Reserve District. Savings deposits increased in contrast to previous January declines; the volume of cancelled checks was the largest since December, 1920; and the investment market was extremely strong.

Building also continued of importance, its unusual

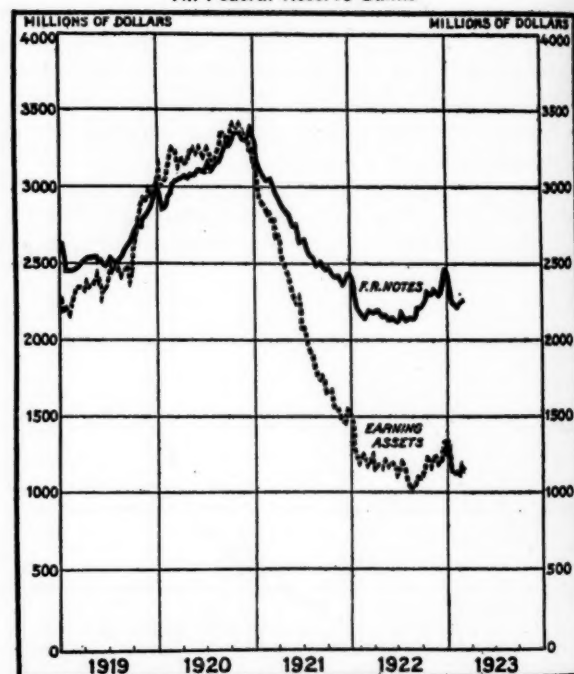
borrowing at member banks in recent weeks has been contrary to the usual trend of the season. Commercial loans of reporting member banks on February 14 were \$243,000,000 or 3 per cent larger than at the end of December and 7 per cent above the level at the end of July, when the general demand for credit first showed an upward turn.

This increased demand for credit at the member banks has resulted recently in an increased volume of borrowing by the member banks at the reserve banks, chiefly Boston, New York, and Philadelphia. On February 21, the loans to member banks were \$628,000,000, or \$248,000,000 higher than in mid-summer. During the same period the volume of Government securities and bankers' acceptances held by all Federal Reserve banks declined \$161,000,000 resulting therefore in a net increase of \$87,000,000 in the loans and security holdings of the reserve banks. The volume of Federal Reserve notes in circulation, which showed the usual post-holiday decline in January, began to increase on January 31, a week earlier than last year.

Money rates also showed a tendency to become firmer, especially in recent weeks. The open market rate for commercial paper, which was 4 per cent last summer, rose during February from a range of $4\frac{1}{4}$ - $4\frac{1}{2}$ to a range of $4\frac{3}{4}$ -5 per cent.

On February 23, the discount rate on all classes of paper at the Boston and New York reserve banks was advanced from 4 to $4\frac{1}{2}$ per cent.

BANK CREDIT
All Federal Reserve Banks



Latest figures February 21, 1923—Federal Reserve notes 2,260 million, Earning Assets 1,164 million

activity preventing the customary midwinter slackness in the cement, brick, and lumber industries.

In other lines of production, with the exception of bituminous coal, comparisons with a year ago show increases, especially in the steel and pig iron output. Manufacturing industries, as a whole, are active, continuing their upward movement without seasonal depressions. Distribu-

tion, as reflected both by merchandising reports and car-loadings for the month, was heavier than last January.

MONEY AND BANKING

Further liquidation in the agricultural sections resulted from the continued movement of short-fed cattle, hogs, and some corn to market. The approach of the March 1 period is causing no apprehension, since recovery by banks and farmers has been such as to place them in good shape for the settlements. Preparations are being made for the closing of farm loans on March 1, and it appears that renewals of existing loans will involve some increase for the purpose of funding short-time indebtedness at the banks.

There is a good supply of money available for farm loans on choice security at 5 per cent, with 1 per cent cash commission on a five-year loan. There is also a market at a higher rate for the proportionately larger loans, for which inquiries are appearing, but there appears to be a disposition on the part of borrowers to expect these loans to be made on the same basis as the more desirable ones.

The upward trend in trade and industry has not yet been transformed generally into a demand for accommodation at the banks, and credit is working toward a somewhat easier position. As a result, such changes as have occurred since the first of the year have been in the direction of the payment of loans, accumulation of reserves, and a slight shading of interest rates.

Reports from bankers in the district indicate that the proceeds of maturing investments and dividend payments the first of the year were generally reinvested in Government or local securities, or left on deposit at the banks.

January business failure statistics for the district indicate a slight increase in the number of insolvencies over the previous month, but a considerable reduction in the total liabilities involved. In the country as a whole there was a more marked increase in failures, while liabilities changed very little.

COMMERCIAL PAPER AND ACCEPTANCES

Greater demand for commercial paper during January caused the aggregate sales of ten dealers in the district reporting to this bank to increase 100 per cent over December and 66 per cent over a year ago; however, two dealers reported decreased sales during the month. Funds available for paper at outlying and country banks were a factor in the increased demand and sales. Dealers report an increasing supply of paper on account of the larger demand for funds by customers.

Rates did not change from December ranging from $4\frac{1}{4}$ to $5\frac{1}{4}$ per cent with the lower rate more in evidence than in the preceding month and the higher rate reported only by one dealer. The prevailing rates were $4\frac{1}{2}$ to 5 per cent, although the majority of sales were at $4\frac{1}{2}$ per cent compared with $4\frac{3}{4}$ per cent last month. Two dealers reported a firming tendency in rates the first part of February.

The volume of bills accepted during January by twenty-seven banks in the district reporting direct to this bank increased markedly over December. Sales also increased but not to the same extent as bills accepted, which accounts for a large increase in bills held at the close of January over December, since these holdings consisted principally of the accepting banks' own bills. Bills bought increased slightly with considerable changes in purchasing

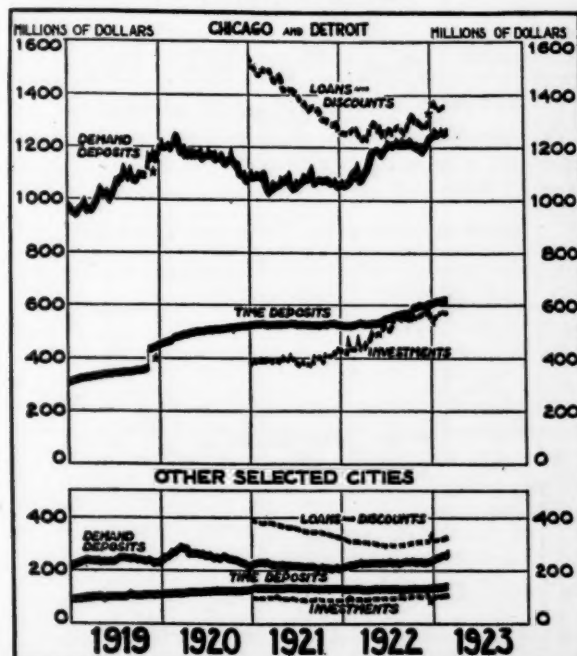
banks from the preceding month. Last year at this time bills accepted and sold followed the same trend as this year, but bills bought and held decreased. Thirteen banks reported no transactions in bankers' acceptances during the month.

Purchase rates ranged from 4 per cent for 30-day bills to $4\frac{3}{4}$ per cent for 180-day bills, although the latter rate was reported by only one bank. Rates of 4 and $4\frac{1}{4}$ per cent were given by most of the banks reporting. Maturities of bills purchased were: 30-day, 11 per cent; 60-day, 25 per cent; 90-day, 58 per cent; and 180-day, 6 per cent. Commodities against which bills were reported drawn were: grain, meats and provisions, agricultural machinery, cotton and wool, tea and coffee and other miscellaneous commodities.

Purchases of bankers' acceptances by this bank amounted to fifteen million during January, a decrease of six million from December; while sales from holdings were over one million less than those of December. Bills held at the close of January amounted to nine and one-half million, a decrease of five million from December.

Purchases of bankers' acceptances by six bill dealers in the district reporting to this bank decreased from \$13,888,000 in the four weeks ending January 13, to \$8,879,000 in the four weeks ending February 10. Sales during the period under review amounted to \$17,994,000 compared with \$15,021,000 in the preceding period. Increased sales in this district resulted in large transfers from branch houses of reporting dealers, which are not included in the purchases shown above. Bills held at the close of the period were \$1,653,000 less than those held at the close of the preceding period. Sales to other banks were again larger than those of the preceding period, while sales to the Federal Reserve Bank remained very nearly the same.

REPORTING MEMBER BANKS, SEVENTH DISTRICT
COMPARATIVE POSITION



*Break in curve indicates data not comparable with preceding. Based on weekly reports to this bank by approximately 50 member banks in Chicago, 13 in Detroit, and 45 in other cities.

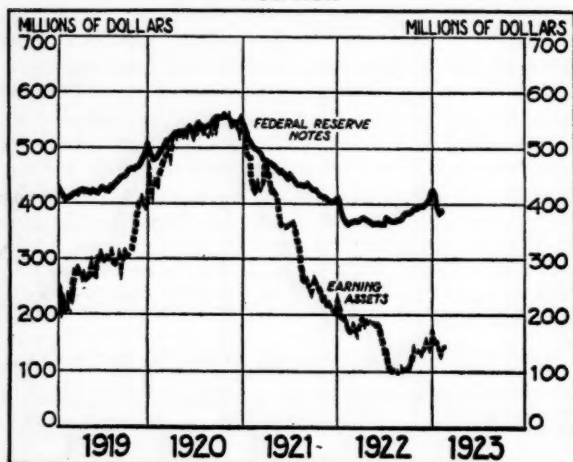
MEMBER BANKS IN THE DISTRICT

Loans and discounts at member banks showed an increasing trend following the third week in January, and deposits continued to increase. A temporary increase in loans and discounts and in demand deposits appeared at Chicago banks in the week of January 17. Investments in January showed an increasing trend, which did not continue in February.

POSITION OF THE RESERVE BANK

The January decline in Federal Reserve notes in circulation was largely seasonal, resulting from a decreased currency demand after the holiday requirement had been met; little change in volume was in evidence the first part of February. Total earning assets of the reserve bank were affected by considerable fluctuation in holdings of government securities. Loans to member banks showed a decreasing trend during January, with the exception of a temporary increase on January 24. Aggregate borrowings of Iowa member banks were lower the middle of February than at any time since September, 1919.

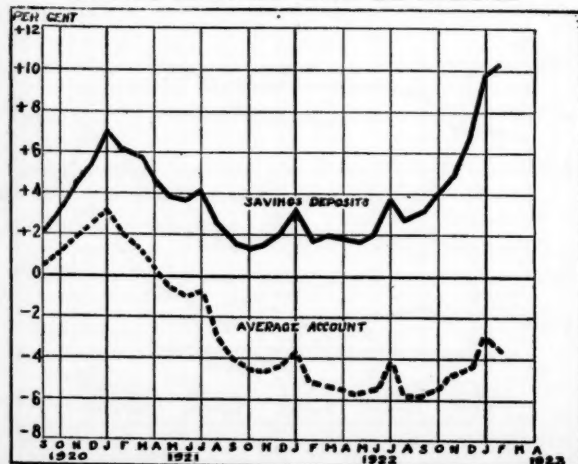
FEDERAL RESERVE BANK OF CHICAGO COMPARATIVE POSITION



SAVINGS ACCOUNTS AND DEPOSITS

The increase in savings deposits on February 1 over January 1 is in contrast with other post-interest periods. In every other year since figures for reporting banks are

SAVINGS COMPARED WITH 1920 AVERAGE



Data as of the first of each month

available (January 1, 1920), there have been decreases in the aggregate savings deposits on February 1 and August 1 from the previous month. Withdrawals this year were more than offset by deposits of proceeds from the redemption of War Savings Stamps and Victory notes, and increased savings resulting from continued improvement in employment conditions. The amount of savings deposits on February 1 was again much larger than a year ago. A decrease in the average account on February 1 from January 1 was caused by an increase in the number of savings accounts. Compared with a year ago, an increase is shown in the average account. Wisconsin banks reported withdrawals for tax payments and investment purposes.

DEBITS TO INDIVIDUAL ACCOUNTS

The volume of payments by check in the district during January was larger than in any month since December, 1920. In both the larger and smaller centers, the aggregate amounts were more than the preceding month, in contrast with the years 1921 and 1922; in each year January debits were less than December. The increases in the larger centers during January this year were caused by Chicago and Milwaukee; debits at Detroit and Indianapolis were less than in December. Thirteen of the twenty smaller centers show gains for the month.

VOLUME OF PAYMENT BY CHECK

Checks Drawn on Clearing House Banks, Seventh Federal Reserve District



Figures used are estimates for calendar months based on weekly reports to this bank

BONDS AND INVESTMENTS

Strength in the Mid-West investment market, especially for the first three weeks of January, and for the month as a whole was greater than it has been in many years. On account of the number of new issues offered in January, two of them being exceptionally large, the market became congested at the end of the month and remained dull during the greater part of February. During the early part of January municipal and corporation issues were in satisfactory demand; public utility securities continued strong in February; and on account of unsettled conditions abroad, foreign issues are still weak.

AGRICULTURAL PRODUCTION AND CONDITIONS

Actual figures showing the number of hogs being fed for the market during the remainder of the winter and early spring packing season are not available. Reports from the county agents in 79 counties in the district, however, indicate that about 10 to 15 per cent more hogs than a year ago are being prepared for the market before April 15. In some localities the percentage is even higher, while in others the bulk of this season's hogs have gone to market. The heavier feeding indicates a higher average weight than a year ago.

Winter wheat in the district was reported in good condition the first part of February. However, the recent zero temperature which followed thawing weather earlier in the month is detrimental to growing winter grains and reports from a few localities indicate that some damage has been done. About the middle of February there was a liberal distribution of snow over the wheat-growing sections which is acting as a protection to the plant.

GRAIN MARKETING

The grain movement from country elevators and farms declined in January from December. Receipts at primary markets except for corn were less; but shipments for all except wheat were more than in the previous month.

CHICAGO SHIPMENTS OF FLOUR AND GRAIN

	FLOUR BBL.	WHEAT BU.	CORN BU.	OATS BU.	RYE BU.	BARLEY BU.
January, 1923	864	1,427	10,196	5,569	963	415
December, 1922	1,054	1,735	5,121	4,847	727	304
January, 1922	511	637	14,406	4,552	74	229

The effect of increased offerings of wheat and other grains to European markets by Argentina, Australia, and India at prices below parity in the United States—together with Russian competition in the selling of rye to Germany and Scandinavian countries—is being felt by exporters in the United States. During January prices were lower at Chicago than in December, but were firmer for the first half of February.

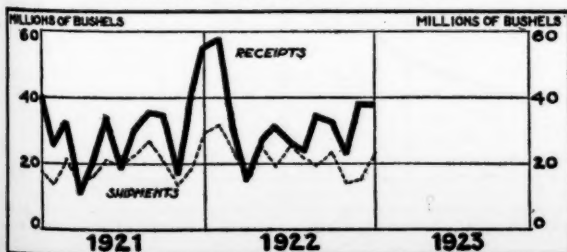
The American, Canadian, and British visible supply of wheat was 203,590,000 bushels on February 10, 1923, compared with 190,559,000 on January 6, 1923, and 168,157,000 a year ago.

UNITED STATES VISIBLE SUPPLY OF GRAIN

Stocks in public and private warehouses at principal points of accumulation, at lake and seaboard points and in transit by water, in the United States, February 10, 1923. Figures supplied by the Secretary of the Chicago Board of Trade.

	WHEAT BU.	CORN BU.	OATS BU.	RYE BU.	BARLEY BU.
FEBRUARY 10, 1923	47,807	22,475	30,540	12,793	3,119
Warehouses and Afloat	22,652		2,635	1,631	1,682
Bonded					
JANUARY 13, 1923	40,193	18,816	31,116	10,772	3,248
Warehouses and Afloat	29,722		3,019	2,894	1,668
Bonded					
FEBRUARY 11, 1922	42,117	34,772	68,169	7,110	2,244
Warehouses and Afloat	13,269		1,114	1,822	337
Bonded					

RECEIPTS AND SHIPMENTS OF CORN AT INTERIOR PRIMARY MARKETS IN THE U. S.



FLOUR PRODUCTION

The production of flour in the district as reported to this bank by thirty-six mills increased during January over December, due in a large measure to one more working day in the month, as the operating ratio did not change from December. Because of the large increase shown in the production of wheat flour, considerable gain was made compared with a year ago.

	PRODUCTION JANUARY 1923	PER CENT CHANGE FROM DECEMBER 1922	JANUARY 1922
Wheat flour (bbls.)	320,923	+4.9	+20.8
All other flour (bbls.)	25,609	-6.2	-26.2
Total (bbls.)	346,532	+4.0	+15.3

Operations of these mills—based on a 24-hour working day—were at 47.7 per cent during January, compared with 47.7 per cent in the preceding month and 43.0 per cent a year ago.

Sales of flour in barrels at thirteen mills increased 24.5 per cent in January, while dollar sales at twelve mills show a gain of only 12.2 per cent over December. Stocks of flour on hand January 31, as reported by twenty-five mills, increased 1.0 per cent over those held on December 31, while stocks of wheat decreased 1.1 per cent in the same period.

MOVEMENT OF LIVE STOCK

Receipts and slaughter in all classes of live stock showed a seasonal increase over December, and were greater than a year ago.

SLAUGHTER IN JANUARY

	CATTLE	HOGS	SHEEP	CALVES
Eight yards in district, January, 1923	248,519	1,075,225	293,764	113,201
Sixty-eight markets in the United States:				
January, 1923	743,071	3,395,278	897,439	343,438
December, 1922	688,946	3,361,854	820,705	305,333
January, 1922	640,879	2,483,507	925,436	286,323

The movement of feeder cattle, calves, and sheep back to the farms in January was less than in the month previous, but for cattle was more than a year ago; sheep declined.

AVERAGE PRICES OF LIVE STOCK

CLASS	Per hundred pounds at Chicago		MONTHS OF	
	WEEK ENDED FEBRUARY 10, 1923	1923	1922	1922
Native Beef Steers (general average)		\$ 9.15	\$ 9.20	\$ 7.05
Fat Cows and Heifers	\$ 5.65	5.40	5.10	4.65
Canners and Cutters	3.30	3.15	3.10	2.75
Calves	11.25	10.75	9.55	9.35
Stockers and Feeders	7.10	6.90	6.30	5.90
Hogs	8.12	8.35	8.20	8.00
Sheep	6.65@8.00	7.70	7.35	6.25
Yearling Sheep	12.00	12.00	11.15	10.40
Lambs	13.85	13.90	14.20	12.45

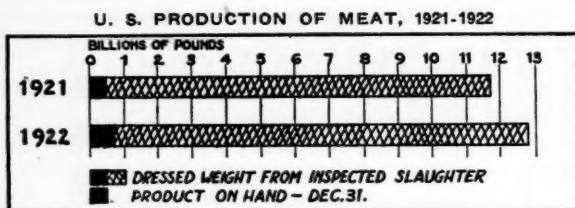
MEAT PACKING AND PROVISIONS

Total dollar sales of forty-four meat packing companies in the United States reporting direct to this bank increased 25.7 per cent in January over a year ago, but were 0.8 per cent less than in December. Final returns from forty packing companies in the United States show an increase of 2.2 per cent in total sales in dollars for the year 1922 over 1921. January shipments of meats and lard from Chicago showed little change from those of the previous month.

Wholesale prices of veal and pork—excepting pork loins, dry salt bellies, and backs, which declined—averaged higher at Chicago during January than in December or a year ago; mutton declined, but beef remained practically unchanged. Present prices of pork and pork products

are low in proportion to the cost of live hogs. There was a seasonal increase in stocks of meats and lard in the United States on February 1 compared with the month previous, and although they were more than on February 1, 1922, they were less than the five-year average.

Partly due to fulfillment of orders taken previously, the shipments forwarded in January for export exceeded those in December. Although export demand was good during January, it tended to decline in the first part of February. Because of keen competition with Danish products, and some accumulation of supplies, buying in the United Kingdom was rather limited compared to that on the continent, during the latter part of January and the first part of February. Consigned stocks already abroad on February 1 were indicated to be a little more than the month previous. Prices on the continent are satisfactory but those in the United Kingdom are reported to be below their relative value in the United States.



INDUSTRIAL EMPLOYMENT CONDITIONS

There is evident in the January employment reports a full recovery from the inventory let-down which was indicated by the December returns. Gains for 240 manufacturing plants of the district totaled 1.8 per cent in men and 8.7 per cent in payrolls. In iron and steel industries and in the manufacture of automobiles and accessories, the gains greatly exceeded the earlier reductions. Fifty-five firms of the former group, employing 54,820 men, made 3.5 per cent increase in the number of men and 15.0 per cent increase in payrolls. Primary production, as represented in this group, was especially active while agricultural machinery plants also made pronounced improvement. Conditions in the automobile industry are reflected by the situation at Detroit, where, subsequent to the resumption of work after the holidays, an additional expansion of 10.3 per cent in employment is reported by the Employers' Association. Paint factories made steady advances during the month. Cement plants were more active than before the interruptions for repairs; several of the brick yards which closed down in December resumed operations in January; and in lumber and millwork signs of a seasonal let-up were still lacking.

The heaviest percentage decreases for the month occurred in building and construction work and in the manufacture of electrical goods. Definite declines were felt by the makers of boxes and containers, musical instruments, bread and bakery products, and men's clothing. Furniture, leather, and shoe industries more than offset the declines shown by payrolls of the previous month, while the two former made gains also in the volume of employment.

BUTTER, CHEESE, EGGS, AND POULTRY

Production of butter* in the district and in the United States was more in January than in December or a year ago. Reports from the Iowa Butter Manufacturers' Association indicate a nominal decline from December in production by that state. In Wisconsin there was a marked increase in output of cheese over the previous month, or a year ago.

Receipts of butter and eggs increased at Chicago compared with December; cheese and poultry declined. With the exception of receipts of eggs, all were more than for a year ago.

Prices of dairy products and poultry—excepting fowls—averaged lower at Chicago during January than in December. Poultry prices trended slightly upward the first part of February.

Cold storage holdings of butter, cheese, and eggs were less in the United States on February 1 than the previous month, but poultry increased. Compared with a year ago holdings of poultry, eggs, and cheese were more; while butter in storage was less than 50 per cent of that on February 1, 1922.

*Based on direct reports to this bank by manufacturers in the district and on statistics furnished by the American Association of Creamery Butter Manufacturers.

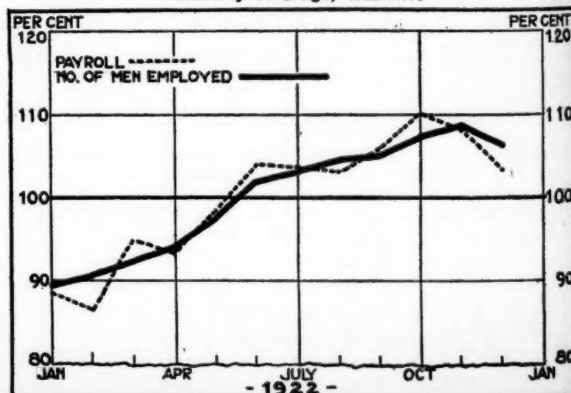
The total food products group showed a partial recovery from the earlier reductions.

LABOR REPORTS FROM FIRMS IN THE SEVENTH DISTRICT

	DISTRICT	CHICAGO
Number of firms reporting.....	240	32
Total number employed January, 1923.....	150,596	51,967
Percentage change in number employed as compared with		
(a) the preceding month	+ 1.8	+ 2.2
(b) the same month a year ago.....	+26.9	+21.1
Percentage change in amount of payroll as compared with		
(a) the preceding month	+ 8.7	+ 4.5
(b) the same month a year ago.....	+38.7	+25.2
Percentage change in pay per man as compared with		
(a) the preceding month	+ 6.9	+ 2.2
(b) the same month a year ago.....	+ 9.5	+ 3.4

TREND IN EMPLOYMENT, 1922*

Monthly Average, 1922=100



*Based on reports to this bank from 313 manufacturers employing 201,487 men at the close of 1922

FUEL AND POWER PRODUCTION

COAL

Although the trend in the production of bituminous coal was slightly downward during the month of January, the total output exceeded consumption and made possible a further increase in stocks which have been accumulating in storage during the past few months. These stocks, on January 1, were approximately 39 per cent greater than on October 1, as shown by the latest census taken under the authority of the Federal Fuel Administrator, and if equally divided among all consumers would have been equivalent to a twenty-six days' supply. Stocks of anthracite were also heavier than on October 1, but considerably lighter than on any January 1 during the past few years. With consumption keeping pace with production during the past month, hard coal stocks now stand at about the January 1 level.

With the exception of a very slight increase during the weeks ended January 27 and February 10, there has been a gradual decline in bituminous coal production since the beginning of the year. The total output for the week ended February 17 has been estimated at 10,600,000 tons, as compared with 10,836,000 tons for the previous week and with the peak production of 11,500,000 tons for the first week of December. On the other hand, in spite of a declining output the total tonnage mined during January was nearly 8 per cent greater than that of December, and was due primarily to the greater number of working days in January. In Illinois and Indiana conditions show little improvement and most fields are working half time or less. A slight increase in working time in Illinois mines was noticeable during the week of February 10, but as a rule mines are being limited in output by a lack of market and the inadequacy of transportation facilities. Total production for Illinois during the month of January amounted to 8,541,900 tons, an increase of 16.4 per cent over December.

Anthracite production during January averaged about 2,000,000 tons per week, a tonnage considerably in excess of that averaged during the corresponding period a year ago but still insufficient to meet the demand for this grade of fuel. A slight downward trend in output was apparent during the early part of February, production for the week ended February 17 being estimated at less than 2,000,000 tons.

There has been very little change in the demand for fuel during the past month, except that occasioned by weather fluctuations and the scarcity of anthracite, which has resulted in an appreciable increase in the demand for the domestic sizes of bituminous. Steam demand is fairly active, but industrials continue to buy on a week-to-week

basis. Consumers are not anxious to buy more coal than their current requirements demand, especially since the recent renewal of wage agreements between the operators and miners of the Central Competitive district and the assurance that there will be no serious mine labor disturbances this spring.

Spot prices took a downward trend early in January and continued on a gradual decline until checked by the cold weather about the middle of February. Steam coal prices declined very little on account of the comparatively small volume of such grades available. February 23 spot (mine) prices on Illinois coal ranged from \$1.50 to \$4.75 per ton, while Western Kentucky was quoted at from \$1.75 to \$4.25. Eastern Kentucky ranged from \$2.00 to \$5.50 and Pocahontas from \$4.25 to \$8.00; anthracite was quoted as high as \$14.00 for the larger sizes.

ELECTRIC ENERGY

Reports from nine central station companies in the district made to this bank show an aggregate output of 530,000,000 K. W. H. during January, an increase of 3.8 per cent over December and 21.5 per cent over January a year ago. The gains made by some of the larger companies were the chief cause for the large increase over a year ago. The January peakload demand decreased from December, resulting in a load factor of 54.0 per cent in January, compared with 51.0 per cent in December. Last year the load factor was 53.3 per cent.

The average daily consumption of electric energy during January by industrial power users increased 2.7 per cent over December and 45.7 per cent over a year ago, while the monthly consumption gained 6.9 per cent and 51.6 per cent, respectively, because of one more working day in January this year than in December or January, last year. The increase over December is due largely to the increased sales of power by one large company. The number of industrial users remained nearly the same as in December, although an increase is again shown over last year.

1922 BY MONTHS	INDEX NUMBER ON PLANT OUTPUT* (MONTHLY AVERAGE 1919 EQUALS 100)	INDEX NUMBER ON INDUSTRIAL SALES* (MONTHLY AVERAGE 1919 EQUALS 100)
	1919 EQUALS 100	1919 EQUALS 100
January	124.4	95.9
February	113.1	100.2
March	124.5	107.7
April	117.6	113.5
May	122.8	130.0
June	123.1	140.6
July	125.1	141.6
August	128.7	149.3
September	127.6	147.0
October	138.3	147.3
November	140.8	141.1
December	146.3	137.4

*Based on monthly reports from ten companies.

MANUFACTURING ACTIVITIES AND OUTPUT

AUTOMOBILES

Automobile manufacturers and dealers are reported to be basing their calculations on the continuance of a high level of sales for the first six months of the year, following the automobile shows in January and February. The deterring factor for the year as a whole is the used car problem which becomes more insistent with the high level

of production. Suggested solutions are receiving considerable discussion. Prominent among the suggestions is the so-called Boston plan, involving co-operative weekly reports on condition of the used car market from which the dealer can determine at the time of making the exchange, what allowance can safely be made for the used car.

Production of passenger cars during January was nearly 8 per cent larger than December, while that of trucks was about 4 per cent less than December. Manufacturers reporting through the National Automobile Chamber of Commerce and direct to this bank, and representing practically complete December production, report passenger car output 223,653 in January, compared with 207,483 in December; while truck manufacturers who built 19,640 trucks in December, report 18,913 in January. In January last year, both passenger car and truck production increased, and for passenger cars the percentage increase was larger than this year, but this was based on a production in December, 1921, of only 70,690 passenger cars. One feature of the automobile production in the last few months has been the increase in percentage of closed cars manufactured. This has tended to reduce the seasonal fluctuations very materially. The most accurate statistics available show about 32 per cent of the total passenger car production in 1922 was of the closed type against 22 per cent for 1921, 17 per cent for 1920, and 10 per cent for 1919.

Shipments in January were considerably ahead of those of December and of January, 1922, although shipments by boat continued to decrease.

FACTORY SHIPMENTS BY ALL MANUFACTURERS†

	CARLOADS		DRIVEWAYS		BOAT	
	1923	1922	1923	1922	1923	1922
January	33,900*	15,357	31,400*	7,479	800	143
December		26,900*		27,500*		1,300

†Reported by National Automobile Chamber of Commerce.
*Partly estimated.

IRON, STEEL AND OTHER METALS

The January output of steel and pig iron in the United States was more than in any other single month since 1920. Inadequate coke supply and the inability to build up fuel reserves at the mills have held iron and steel production below the immediate demand. Therefore, industries dependent upon the steel mills for their full requirements of raw or semi-finished materials have been unable to reach their maximum output.

Unsettled conditions in the European mills have resulted in urgent calls to domestic mills for tonnage for export to Japan and South America; the mills in this district, however, are giving domestic requirements preference. Prices remain firm.

PIG IRON AND STEEL PRODUCTION IN GROSS TONS

	JANUARY		DECEMBER		JANUARY	
	1923	1922	1923	1922	1923	1922
Pig Iron Production						
Illinois and Indiana	524,774	500,972	287,313			
United States	3,229,604	3,086,898	1,645,809			
Steel Ingot Production						
(Thirty companies)	3,251,694	2,779,890	1,593,482			
*Unfilled orders—United States Steel Corporation	6,910,776	6,745,703	4,241,678			

*At close of month.

The American Zinc Institute reports January production and shipments of slab zinc at 46,317 and 47,995 tons, respectively, compared with 42,841 and 44,086 tons in December. Advances from the Joplin field show shipments of zinc ore approximating 12,000 tons weekly for January and of lead 1,700 tons. Both were more than for the corresponding period of 1922. Zinc ore prices declined, but lead ore increased.

STOVES AND FURNACES

Shipments of stoves and furnaces showed the usual seasonal decline in January from December, while production increased nominally over the previous month. Both

production and shipments were more than a year ago.

PERCENTAGE CHANGES IN JANUARY FROM PREVIOUS MONTHS

	NUMBER OF COMPANIES		DECEMBER 1922		NUMBER OF COMPANIES		JANUARY 1923	
Shipments	13		20.2		13		36.6	
Orders accepted	10		237.0		9		161.6	
Stocks on hand	8		3.9		7		22.3	

INDEX OF SALES—STOVES AND FURNACES

1919 average monthly sales in dollars equals 100. Based on returns from 18 companies, Seventh Federal Reserve District.

1919	100.0
1920	113.2
1921	51.2
1922	68.1

1922 BY MONTHS

September	98.0
October	119.4
November	106.1
December	76.0

AGRICULTURAL MACHINERY

The farm implement industry tends to improve slowly but steadily. This is evidenced by direct reports from manufacturers and by a greater demand from the industry for steel tonnage. January production of agricultural machinery did not change materially from December and, although below normal, present operations are considerably ahead of those in January, 1922. Sales showed the customary increase over December and were noticeably ahead of those of a year ago. The shipments of agricultural pumps as expressed in dollar values were less than in December.

SHOE MANUFACTURING, TANNING AND HIDES

Production and shipments of shoes for January showed more than the seasonal increase over December and were considerably ahead of a year ago. Production exceeded shipments by 5.7 per cent; stocks on hand increased. Unfilled orders held by twenty-three companies were equal to 243.8 per cent of their January shipments.

PERCENTAGE CHANGES IN JANUARY FROM PREVIOUS MONTHS

	NUMBER OF COMPANIES		DECEMBER 1922		NUMBER OF COMPANIES		JANUARY 1923	
Production	31		8.2		31		37.7	
Shipments	31		1.1		31		60.7	
Stocks on hand	22		10.6		19		18.2	
Unfilled orders on hand	19		11.8		20		114.0	

INDEX NUMBERS—SHOE MANUFACTURING

Based on replies from 37 companies, Seventh District. 1919 average (mean of production and shipments in pairs), equals 100.

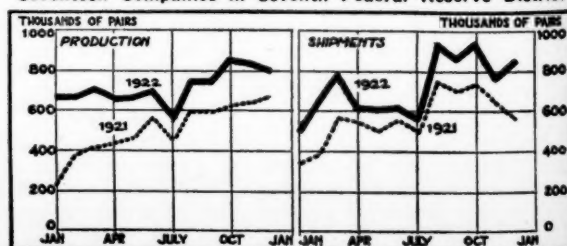
	PRODUCTION	SHIPMENTS
1919	100.2	99.8
1920	98.9	96.6
1921	94.3	101.9
1922	138.6	141.3

By Months, 1922

January	123.7	104.6
February	123.0	123.0
March	132.7	147.2
April	122.8	122.6
May	126.0	119.6
June	133.1	123.2
July	117.3	120.0
August	149.1	175.6
September	147.3	162.3
October	167.1	180.6
November	165.9	156.5
December	154.8	160.0

SEASONAL TREND IN PRODUCTION AND SHIPMENTS OF SHOES, 1921-1922

Seventeen Companies in Seventh Federal Reserve District



Tanners in the district report gradual improvement. Sales for January showed an increase over a year ago and a slight gain over December. Stocks on hand except for calf, harness, and belting leathers are slowly but steadily decreasing. Prices remained practically unchanged in January from December.

Reporting tanners in the district showed little change in the volume of their purchases of green hides from December. January sales of packer green hides declined nominally at Chicago compared with the previous month, but sales of country hides and calf skins were less active than in December; sheep skins were more active. The total shipments of green hides and skins from Chicago were 65.7 per cent of those for December, but receipts increased. Prices were only slightly easier in January than in December, but they were fully 30 per cent more than a year ago. Lamb skins were higher in January than in the previous month.

RAW WOOL AND FINISHED WOOLENS

Prices of raw wool advanced about 5 per cent owing to small supplies of domestic wool and advancing foreign markets. Shipments from Chicago showed a small increase over December. Woolen manufacturers in the district reporting to this bank show production about on a par with the previous month. Reports indicate a good demand for fall overcoatings. Prices remain firm.

CLOTHING AND TAILORING INDUSTRY

The seasonal decline in the Tailor-to-the-Trade industry continues. Current reports from manufacturers in this district show a dropping off in orders of about 29 per cent during January, while production and shipments fell some 32 per cent below the December level. Although activity in this industry is normally at a minimum during the month of January, business is considerably better than a year ago as shown by the increase in orders over the January, 1922, figure of nearly 54 per cent.

PERCENTAGE CHANGES IN TAILORS-TO-THE-TRADE

Number of companies reporting	8
Orders for suits compared with—	
(a) December, 1922	-29.3
(b) January, 1922	+53.9
Number of suits made as compared with—	
(a) December, 1922	-31.9
(b) January, 1922	+62.1
Number of suits shipped as compared with—	
(a) December, 1922	-32.0
(b) January, 1922	+63.3

BUILDING MATERIALS AND CONSTRUCTION ACTIVITIES

CEMENT

Demand for cement continued active during January, and shipments were several times as heavy as in the same month in 1922. Mills are reported to be running at capacity and piling up stocks. Price quotations which showed declines of 15 cents a barrel in December have resumed their earlier level.

For the country as a whole the Geological Survey shows a decrease of 11.2 per cent in production, and an increase of 11.5 per cent in shipments for the month. Stocks increased about 25 per cent and are now within 14 per cent of what they were a year ago. Yearly comparisons for January show that production and shipments this year were carried on at approximately an eighty per cent greater volume.

FURNITURE

The furniture industry of this district was given a further impetus during the month of January by the very successful semi-annual markets held at Chicago and Grand Rapids. Earlier reports, which showed orders being booked in excess even of the July exhibits, have been substantiated by current reports received from manufacturers of the district. Most buyers continue to limit themselves to purchases for immediate requirements, although reporting a substantially increased demand. As a rule, manufacturers appeared to prefer not to book too far ahead on account of the uncertainty of raw material prices, while many went into the markets with such a large volume of business on hand that they were forced to limit their booking for early delivery. Prices as a rule showed very little change. Returns for the country as a whole indicate a continued improvement.

PERCENTAGE CHANGES IN MOVEMENT OF FURNITURE

	DISTRICT JANUARY 1923	CHANGE FROM DECEMBER	UNITED STATES JANUARY 1923	CHANGE FROM DECEMBER
Number reporting*	37		88	
Orders	\$2,098,681	+123.5	\$4,516,319	+119.9
Shipments	1,315,115	-1.7	2,982,831	-7.8
Cancellations	74,098	-50.9	162,511	-32.5
Unfilled orders, Feb. 1, 1923	2,863,213		5,466,568	
Production percentage of normal	92.4		92.1	

*Based on combined returns to Associated Furniture and to this bank.

January orders of twelve manufacturers in this district were 25.0 per cent greater than in January, 1922, while shipments increased 42.6 per cent and unfilled orders 36.4 per cent. Cancellations were 11.9 per cent lighter.

BOXES AND CONTAINERS

January sales and production in the box and container industry of this district were maintained at about the December level, although manufacturers of wooden boxes report a slight increase in activity. Nine reporting firms averaged 76.9 per cent of ordinary capacity during the month. Below are percentage comparisons of January, 1923, with December and January, 1922.

	NUMBER REPORTING	DECEMBER 1922	JANUARY 1922
Sales in dollars	9	-0.05	+64.3
Boxboard consumption	5	-1.8	+37.1
Lumber consumption	3	+24.4	+69.4

LUMBER

Lumber dealers report heavy business for January with no signs of the usual midwinter inactivity. Sales were equal to or better than in December and were estimated in many instances to be from two to four times the volume of a year ago. The demand for stock to be shipped immediately and the volume of shipments made during January were the largest in the history of several big concerns. Exceptions to the general activity were found in the reports from rural sections where business is very quiet and where dealers seem fairly well stocked in anticipation of the spring trade.

Industries have been experiencing difficulty in placing orders because stocks are broken and mills are booked beyond their shipping capacity. It seems difficult to find

manufacturers that have a fair assortment of sizes. Railroads and car companies not able to secure their supplies in time from the mills, have been buying from the local distributing yards. In order to guard against further price advances, wholesalers are placing business with the mills only as fast as they are able to handle it. Building requirements, especially for flooring and interior finish, continue strong. Twenty-two members of the Maple Flooring Manufacturers Association report heavier orders than for any month of 1922. While production and shipments gained slightly over the preceding month, unfilled orders have accumulated 57 per cent and, at the close of the month, exceeded the stocks on hand by 38 per cent.

The car situation shows improvement and shipments from the West Coast came through promptly. Some difficulty was still experienced in making shipments to the East. Lumber receipts at Chicago were 13 per cent larger than in December, and shipments from Chicago increased 5 per cent.

Many items show price advances and the general tendency is upward.

BRICK

A number of brick yards are still in operation and may continue active throughout the winter season in response to the steady requirements of building contractors. Other plants are planning to resume operations at an early date, anticipating a heavy spring demand. The country demand for common brick, hollow building tile, and drain tile was very quiet during January. Prices on all clay products were firm and in some cases showed an upward tendency.

CONTRACTS AND PERMITS

Although an increasing number of men were released from outdoor construction work indicating the seasonal decline, an unusual volume of building was still carried

on during January, due to moderate weather conditions. Building contracts awarded in the district totaled \$43,137,128, a decline of not more than 4.4 per cent from the previous month and an increase of 47.8 per cent over January a year ago. The states of the district, however, with one exception, suffered heavier declines than were apparent from the aggregate figures: Wisconsin, 12.9 per cent; Michigan, 18.7 per cent; Indiana, 45.6 per cent; and Iowa as high as 81.5 per cent. Most of these declines were offset by a 56 per cent increase in Illinois; in this state the valuation of the contracts awarded surpassed that of any month since July. Residential building amounted to \$14,567,012, a decline of 19 per cent from December, and a gain of 37 per cent over January a year ago. The decline for the month was participated in by all the states of the district except Michigan, two-thirds of whose awards were for residential construction alone. The combined figures for all other types of building gained 5.1 per cent during the month and were 46 per cent greater than a year ago.

Permit figures fell off heavily, the estimated cost for 44 cities being approximately three-fifths as large as in December. Decreases in the five larger cities were somewhat less than in the smaller cities. The difference between the two groups was more strongly marked in the yearly comparisons, the former group showing an increase of 64 per cent, as against a decrease of 4.4 per cent for the latter.

NUMBER AND ESTIMATED COST OF BUILDING PERMITS

	JANUARY, 1923		PER CENT CHANGE FROM	
	NUMBER	ESTIMATED COST	DECEMBER, 1922	JANUARY, 1923
Chicago	872	\$18,661,600	+ 8.2	+45.7
Indianapolis	619	2,021,138	+ 1.5	+16.9
Des Moines	104	464,455	-11.1	-27.4
Detroit	1,480	6,326,845	- 1.7	-10.4
Milwaukee	2,268	1,411,715	- 3.6	-36.8
39 other cities	1,993	5,079,465	- 7.7	-60.0
Total	7,336	33,965,218	- 2.8	-42.2

MERCHANDISING CONDITIONS

WHOLESALE TRADE

All groups of reporting wholesalers began the year with aggregate sales well in advance of January, 1922, and, except for groceries, ahead of January, 1921. Individually, 80 per cent of the firms reported larger sales than last year, with more than 60 per cent showing increases compared with the previous January. Gains over December, 1922, were most general among drug dealers, while the majority of grocery and shoe firms reported declines.

Collections also were heavier than a year ago for each firm. Accounts outstanding exceeded those at the end of January, 1922, for all groups except drugs.

The majority of the firms increased their stocks during the month, dry goods dealers averaging nearly 30 per cent—the largest gain. Measured by January sales, stocks held at the end of the month would cover from sixty to over ninety days' business for most of the groups, while shoe stocks averaged a four months' reserve. Hardware, drug, and grocery inventories are higher than a year ago.

Dealers furnishing comparable data have in general placed larger commitments than last year. Advance sales show similar gains. Rising prices are reported general in nearly all commodities and in all parts of the district. The

following index numbers are based on 1919 average monthly sales as 100:

MERCHANDISE	NUMBER OF FIRMS	NET SALES		
		JANUARY 1923	DECEMBER 1922	JANUARY 1922
Groceries	40	66.0*	69.1*	61.1
Hardware	20	84.4*	79.4*	48.1
Drugs	14	98.6*	86.5*	80.2
Dry Goods	12	97.2	68.5	77.9
Shoes	12	47.0*	58.4	37.6
Auto Accessories	6	43.5*	52.0	30.8

*Partly estimated.

CHAIN STORE TRADE

Nine groups of chain stores reporting their January sales to this bank all show gains over previous years, averaging 30 per cent compared with January, 1922, and 39 per cent over January, 1921. Seasonal declines from December were reported by all firms.

FEDERAL RESERVE BOARD STATISTICS OF RETAIL TRADE THROUGHOUT THE UNITED STATES (1919 Average Monthly Sales—100)

	NUMBER	JANUARY		
		1923	1922	1922
Department Stores	176	99.6	188.2	87.2
Mail Order Houses	4	88.8*	108.7*	63.3
Chain Stores—				
Grocery	21	165.1*	165.5*	137.5
Drug	8	126.5*	161.0	117.4
Shoe	5	83.9*	164.7	79.9
Five and Ten	4	115.9	279.2	94.6
Music	4	88.4*	203.7	71.8
Cigar	3	115.6	178.7	111.0

*Partly estimated.

RETAIL TRADE

January sales of fifty-six department stores reporting to this bank were 15.5 per cent larger than a year ago, thus nearly maintaining the increase noted last month. Comparison with January, 1921, shows a 10 per cent increase, due, however, to gains by only seventeen firms. The seasonal decline from December reported by all dealers averaged slightly more than last year.

Aggregate stocks on hand at the end of the month were 10.5 per cent heavier than on January 31, 1922, and somewhat above the 1921 inventory.

All but one firm reported larger collections than during January, 1922. Accounts outstanding for the district as a whole on January 31 were 114.7 per cent of the month's sales, compared with the corresponding ratio of 112.8 per cent for last year.

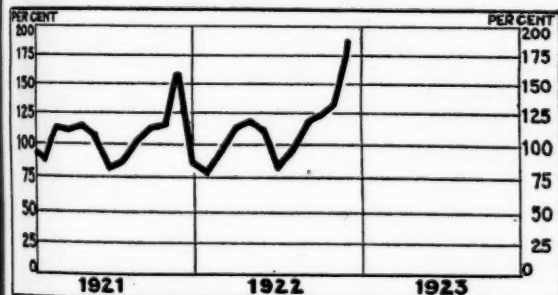
The following index numbers are based on 1919 average monthly sales as 100:

	NUMBER OF FIRMS	JANUARY 1923	DECEMBER 1922	JANUARY 1922
Chicago	8	98.3*	191.3	78.7
Detroit	6	107.6*	193.0	90.1
Des Moines	3	96.6	163.7	81.6
Indianapolis	3	138.0	246.1	118.6
Milwaukee	3	96.0*	190.3	95.8
Other cities	39	82.5*	157.4	72.9
District	62	100.6*	185.2	86.6

*Partly estimated.

DEPARTMENT STORE SALES

Monthly Average, 1919=100



Based on returns to this bank from 60 firms

BANKERS' ACCEPTANCES

At the present time many transactions formerly financed through borrowing on commercial paper, or through bank credit, are handled through the open market in the form of bankers' acceptances. These are drafts or bills of exchange, of which the acceptor is a bank or trust company or a firm, person, company, or corporation engaged generally in the business of granting bankers' acceptance credits. The commercial bankers in the larger centers are familiar with the uses and the types of transactions which can be handled. However, the questions often arise as to what a banker's acceptance is and how it is used to finance a transaction. In order to answer them properly, one should have a clear understanding of the general principles on which this method of financing is founded, but a study of one particular type, the domestic shipment credits, will be helpful in understanding what is involved.

We will assume that Corporation A has sold certain

MAIL ORDER

January sales of Chicago's two leading mail order firms increased 38.5 per cent over last year, and 28.6 over January, 1921. Comparison with three years ago shows a decrease of 28.1 per cent. Business at both houses fell off seasonally from December.

TRANSPORTATION CONDITIONS

The weekly average carloading for the month of January, 1923, is far in excess of any previous January. Not until late in March of other years has the volume of shipments equaled that of the present time.

The increases compared with last year occur in each commodity with the exception of grain and grain products.

Shipments of forest products, coke, and ore have been doubled compared with either of the two previous years.

During the early months of 1920, 1921, and 1922, freight car surpluses prevailed, while for the week ending January 22, 1923, a shortage of over seventy-two thousand cars was reported.

FOREIGN AND DOMESTIC WHOLESALE COM-MODITY PRICES

An interesting table has just been published by the Bureau of Agricultural Economics of the United States Department of Agriculture, which is reproduced here in order to afford an opportunity to compare the wholesale prices of agricultural commodities in Germany with whole-sale prices of the same commodities in England, France, and the United States. All prices in this comparison are in German paper marks, per 100 kilograms.

	1922 DECEMBER, 1922, (MIDDLE OF MONTH)			
COMMODITY	GERMANY	ENGLAND	FRANCE	UNITED STATES
Wheat	28,200	29,800	42,600	33,100
Wheat flour	41,400	50,500	53,700	50,100
Barley	24,200	29,300	30,700	25,500
Oats	24,600	29,300	33,000	24,500
Maize	28,100	25,700	26,200	24,300
Beef	105,000	229,600	240,100	162,900
Pork	153,000	308,900	366,400	375,800
Butter	250,000	569,300	543,300	812,000
Sugar	31,700	139,200	95,000	86,000
Coffee	485,000	227,700	247,700	223,500
Tea	700,000*	458,400	536,100*	342,700
Hides	240,000	251,600	192,800	342,700
Cotton	434,800	434,300	446,800	371,800

*November average price.

goods to Corporation B and the latter has arranged to make payment in the form of a banker's acceptance, payable ninety days after sight. In order to do this, Corporation B has called upon its bank, with which it enters into an agreement to place the bank in funds prior to the maturity of the drafts which are to be drawn against

SAMPLE OF BANKER'S ACCEPTANCE

\$15,500.00
 Fifty
 DAYS AFTER SIGHT
 PAY TO THE ORDER OF
 Fifteen thousand five hundred and no/100 DOLLARS
 AND ON MATURITY HEREIN, CHARGE SAME TO OUR ACCOUNT.
 To Inland National Bank, Peoria, Illinois
 Peoria, Illinois, February 13, 1923
 NO. 1072
 BY John Smith, Treasurer

it by Corporation A and which are to be accepted by it on behalf of Corporation B. The bank arranges for such protection as it feels necessary to insure the execution of B's contract with it and then usually notifies Corporation A that it is prepared to accept drafts within certain specified limits and drawn in certain form upon it at ninety days' sight. Upon shipment of the goods Corporation A will draw a draft on the bank, payable ninety days after sight, attaching thereto the shipping documents evidencing and transferring title to the goods. Upon receipt of this draft the bank will detach the shipping documents and accept the bill by placing its stamp across the face "Accepted, payable (date of payment inserted) at (place of payment inserted)." The acceptance certificate is then signed by an officer of the bank. The bill or draft is then a banker's acceptance and is returned to the drawer to be disposed of by him in the open market, or is disposed of for his account by the accepting bank if appropriate instructions accompany the document.

Such bills accepted by large banks in good standing,

circulate freely in the open market at low rates and are presented by the ultimate holder to the bank accepting the bill when payment is due. If, for any reason, the bank does not pay the bill, which is its direct obligation, the holder will then look to the drawer, in this case Corporation A. Reports of banks refusing to pay their acceptances are practically unknown. Prior to the maturity of the bill the bank has presumably been put in funds by the buyer, Corporation B, and the transaction is completed with the payments made, as indicated above.

There are many variations from the above procedure involving transactions covering the importation or exportation of goods, the warehousing of readily marketable staples and the creation of dollar exchange.

It is highly desirable to consult with someone thoroughly familiar with acceptance practices if contemplating financing of this type, but the principle underlying the whole is the assumption of the buyer's liability by the bank for a commission, the bank in turn being protected by a collateral agreement from its customer.

SEVENTH FEDERAL RESERVE DISTRICT SHOWING CLEARING CENTERS REPORTING DEBITS (Boundaries of District and Detroit Branch Territory Indicated by Counties)

